

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EA-07 EUR-12 NEA-10 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-04 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 /121 W

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R 050805Z FEB 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9811

INFO AMCONSUL ALEXANDRIA

AMEMBASSY BELGRADE

AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY ISLAMABAD

AMEMBASSY KINGSTON

AMEMBASSY KINSHASA

AMEMBASSY LIMA

AMEMBASSY LUSAKA

AMEMBASSY MEXICO

AMEMBASSY NEW DELHI

AMEMBASSY YAOUNDE

C O N F I D E N T I A L SECTION 1 OF 2 CAIRO 1499

E.O. 11652: GDS

TAGS: EFIN, ENRG

SUBJECT: REPORTING REQUIREMENTS FOR WORK OF CIEC

REF: (A) STATE 20560, (B) STATE 021456, (C) CAIRO 0498

1. EMBASSY ADDRESSES BELOW VARIOUS QUESTIONS RAISED IN REFTTEL,
BUT BELIEVES IT USEFUL FIRST TO SURVEY BRIEFLY PROBABLE ATTITUDE
IN GENERAL OF GOE TOWARD DELIBERATION OF INTERNATIONAL ECONOMIC
ISSUES. EGYPT AT THIS TIME IS IN POSITION BETWIXT AND BETWEEN
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POLICIES ESPOUSED TYPICALLY BY OPEC AND BY US. GOE FINDS IT

BETTER PART OF VALOR TO FOLLOW LEAD OF OIL EXPORTERS ON SOME ISSUES AND ITS OWN INTEREST ON OTHERS. AS ONE OF MORE INFLUENTIAL LDC'S, EGYPT ALSO ON OCCASION MUST CONSIDER EFFECT OF ITS STAND ON GIVEN ISSUES ON ITS CREDIBILITY IN THIRD WORLD CIRCLES. FINALLY, CURRENT DEVELOPING TIES WITH U.S. GROWING OUT OF SEARCH FOR MIDDLE EAST PEACE SETTLEMENT DICTATE CLOSE EGYPTIAN ATTENTION TO OUR VIEWS ON MOST QUESTIONS. GOE, THEREFORE, CANNOT READILY BE TYPECAST WITH REGARD TO ISSUES EXPECTED TO ARISE IN CIEC COMMISSIONS: VARIETY OF FACTORS ARE AT PLAY AND EGYPT POSSIBLY WILL LAND IN DIFFERENT CAMPS IN PREPARATION OF DIFFERENT BUT NOT MUTALLY INCOMPATIBLE SETS OF POLICY RECOMMENDATIONS.

2. EGYPT WITHAL CAN BE EXPECTED TO TRY TO PLAY A CONSTRUCTIVE ROLE IN THE TWO CIEC COMMISSIONS OF WHICH IT IS MEMBER. CURRENT GOE LEADERSHIP HAS DEMONSTRATED ITS MODERATE APPROACH TO WORLD PROBLEMS IN RECENT TIMES. RESPONSIBILITY CAN BE EXPECTED TO BE BYWORD OF ITS PARTICIPATION IN CONFERENCE TO EXTENT FOCUS OF DELIBERATIONS WILL NOT INVOLVE CONFRONTATIONAL MIDDLE EASTERN POLITICAL ISSUES. EGYPT CAN AND WILL CONTRIBUTE USEFULLY IN INTERNATIONAL FORA TO DISCUSSIONS OF IMPORTANT MULTILATERAL ECONOMIC MATTERS WHICH DO NOT HAPPEN TO IMPINGE UPON OVERRIDING NATIONAL POLITICAL INTERESTS. CAVEATS SHOULD BE NOTED, HOWEVER: COMMUNICATIONS BETWEEN CAIRO AND ITS REPRESENTATIVES ABROAD IS UNCERTAIN; EGYPTIAN DELEGATES PROBABLY OFTEN WILL GO UNINSTRUCTED ON SPECIFICS OF QUESTIONS UNDER CONSIDERATION. FURTHER, FONMIN HAS PRIVATELY EXPRESSED TO US OPPOSITION TO TIMING OF CIEC, PROBABLY BECAUSE CONFERENCE IS NOT SEEN TO BE OF VITAL IMPORTANCE TO GOE IN RELATION TO OTHER PRESSING PROBLEMS.

3. FOLLOWING COMMENTS ARE KEYED TO POINTS RAISED IN PARA 4, REFTEL A, RELATIVE TO ENERGY COMMISSION:

-- ON FIRST TWO POINTS, REFTEL C PRESENTS OUR ASSESSMENT OF THESE GOE ATTITUDES.

--GOE IS NOT LIKELY TO BE OBSTRUCTIVE ON QUESTIONS REGARDING SECURITY OF MARKETS, AND NEGATIVE POSITION ON SECURITY OF SUPPLY ISSUE WOULD NOT ARISE IN VIEW OF EGYPT'S PRESSING NEED FOR ADDED EARNINGS FROM PETROLEUM EXPORTS.

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--LONG-TERM COOPERATION ON MOST KEY ENERGY ISSUE LIKELY WOULD MEET APPROVAL SO LONG AS MUTUALLY OF BENEFITS IS PERCEIVED (CRUCIAL QUESTION OF PRICE REDUCTION IS AN EXCEPTION, HOWEVER.)

--RE NEXT TWO POINTS, GOE WELCOMES FOREIGN TECHNOLOGY TRANSFER IN ENERGY AND HAS HISTORY OF COOPERATION WITH US AND OTHER OUTSIDE INTERESTS IN

PETROLEUM EXPLORATION AND DEVELOPMENT. LATTER
POINT RESULTS FROM FACT THAT FURTHER FINDS AND
INCREASED PRODUCTION FROM COMPARATIVELY LOW LEVELS AT
PRESENT OBVIOUSLY SERVE EGYPT'S INTERESTS IN EXPORT
SECTOR. GOE ALSO IS INVESTIGATING NON-
CONVENTIONAL ENERGY SOURCES, E.G., SOLAR AND WIND,
WITH FOREIGN ASSISTANCE. MAJOR HYDROELECTRIC PROJECT
AT QATTARA DEPRESSION HAS BEEN UNDER CONSIDERATION FOR
MANY YEARS AND IS CURRENTLY UNDER STUDY BY FRG
CONSORTIUM.

--WE HAVE HEARD NO GOE REACTION TOWARD INTERNATIONAL
ENERGY INSTITUTE PROPOSAL AS YET, BUT ASSUME GOE
WOULD SUPPORT, PROVIDING OPEC COUNTRIES VOICED NO
OBJECTION.

--DUE TO HEAVY DEPENDENCE OF EGYPT ON OPEC
SUBSIDIES AND LOANS, AND DUE TO ITS OWN INCIPIENT
STATUS AS SIGNIFICANT OIL EXPORTER, GOE CLEARLY FAVORS
CONTINUATION OF HIGH PRICE STRUCTURE, ALONG WITH SOME
FORM OF INDEXATION, DESPITE EFFECT OF
PRICE INCREASES ON WORLD TRADE AND DEVELOPMENT EFFORTS.
EGYPT IS ON OPEC SIDE ON THIS QUESTION.

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C O N F I D E N T I A L SECTION 2 OF 2 CAIRO 1499

4. ISSUES TO BE CONSIDERED BY CIEC FINANCE COMMISSION
IN WHICH EGYPT WILL PARTICIPATE, (REFTEL A,
PARA 7), EVIDENTLY ARE SUCH THAT WILL PERMIT
COOPERATIVE STANCE BY GOE. THOSE OF INTEREST TO
SAUDIS (REFTELS A AND B) WILL LIKEWISE BE ADVOCATED
BY EGYPTIANS FOR THEIR OWN REASONS AND AS SUPPORTIVE MEASURE.

5. RE TOPICS IN PARA 7, REFTEL A:

--GOE ALMOST CERTAINLY WOULD FAVOR SOME FORM OF
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INDEXATION (SEE PARA 3 ABOVE) AND EXCHANGE RATE
GUARANTEES, THE LATTER BECAUSE OF ITS SEVERE FOREIGN
EXCHANGE PROBLEMS.

--GUARANTEES AGAINST EXPROPRIATION IS NON-
ISSUE FOR EGYPT IN ANY DISPUTATIVE SENSE (EGYPT'S
BASIC INVESTMENT LAW NO 43/1974 FLATLY PROHIBITS
NATIONALIZATION OF PROJECTS INTRODUCED UNDER ITS
PROVISIONS).

--REGARDING REMAINING ISSUE OF INTEREST TO
OPEC IN FINANCE COMMISSION, EGYPT WOULD HAVE
ABSOLUTELY NO REPEAT NO PROBLEM WITH TRIANGULAR
INVESTMENTS AND, INDEED, ENCOURAGES THEM AS MATTER
OF POLICY PRIORITY. MARKETS;

--GOE COULD BE EXPECTED TO SUPPORT LDC ACCESS TO CAPITAL MARKETS.

--ONLY ONE OF THREE TOPICS WE EXPECT TO INTRODUCE
IN COMMISSION -- GLOBAL BALANCE OF PAYMENTS
SITUATION -- COULD CAUSE RESERVATIONS ON PART OF
EGYPT. FOR REASONS ALREADY NOTED, EGYPTIANS COULD
NOT BE EXPECTED TO SUPPORT RECOMMENDATION IMPLYING
NECESSITY FOR OIL PRICE ROLLBACK, BUT PROBABLY WOULD
FAVOR MULTILATERAL ASSISTANCE TO ALLEVIATE LDC'S

BURDEN DUE TO ENERGY COSTS.

--ON ALL OTHER POINTS, EGYPT COULD BE
EXPECTED TO ADOPT FAVORABLE POSITION.

6. IN SUM, WE ANTICIPATE THAT EGYPT WILL SEEK TO
PLAY GENERALLY CONSTRUCTIVE ROLE IN CIEC ON BROAD
ECONOMIC ISSUES. WE HAVE LITTLE EVIDENCE THUS FAR,
HOWEVER, THAT CONFERENCE HAS ENGAGED THINKING OF GOE
AS OF PRIORITY CONCERN TO EGYPT.
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